

1.3 Maize marketing and trade policies in Kenya

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Summary

What has been done? Kenya has a long tradition of government intervention on maize markets, even during the so-called liberalization period. Recent interventions include:

- Reinforcement of maize marketing policies since 2000 (buffer stock, regulation of producer prices);
- Control of trade through non tariff measures and tariffs that tend to fluctuate less.

How has it been implemented? The government has implemented a wide scope of policies (thanks to higher public expenditures allocated to maize market regulation since 2000), but has not managed to enforce compliance with these policies. For example, the steps taken by the government related to imports ultimately exacerbated the maize crisis in 2008.

What were the effects? Prices seem to have stabilized in the wake of the government's renewed intervention in maize markets, particularly the tighter controls over marketing policies. Overall, producers have experienced higher production growth rates during interventionist periods. However, as our findings below show, producer prices have fluctuated more in the most recent period. (This is inconsistent with Jayne's findings that the National Cereals and Produce Board has a smoothing effect on price instability, but it is possible that our findings of increased instability are related to the 2008 crisis.)

Coefficient of variation	1994-2004	2005-2008
Producer prices (yearly data, FAOSTAT)	0.23	0.37

The effects of intervention on consumers has been a trend towards lower prices (perhaps due to a structural change in 2007?) and less volatility.

Coefficient of variation	1994-2004	2005-2008
Wholesale real price (monthly data)	0,22	0,19

What recommendations could be derived? There is still room to regulate markets more actively, through buffer stocks and import controls, for instance. Periods of heavy intervention on markets seem to correspond to greater stability (although better weather conditions during these periods could be the influencing factor, as well). The government should be encouraged to define and implement credible policies based on a transparent consultative process that involves the key stakeholders.